Future Logistics Enterprise

The Honorable Diane K. Morales
Deputy Under Secretary of Defense
(Logistics and Materiel Readiness)

A Single Enterprise

Meeting warfighter requirements around the clock, around the globe...

...through enterprise integration and end - to - end customer service

DoD Logistics…Upon Arrival

National Level

Operational Level

Section 912 Product Support

Logistics Strategic Plan

Service/Agency Logistics Systems Modernization

Integrated Logistics Chains

Service Operational Concepts

EC/EB

JTAV

MRS 05

JTD

Joint Deployment Process

JLWI

Strategic Distribution Management Initiative

Joint Staff Aim Points

Over 500 Improvement initiatives, but no coherent picture.

Future Logistics Enterprise

National Military Strategy
- Rapidly employ/deploy forces
- Reduce footprint
- Logistics Innovation

CINC/SERVICE Concerns:
- Weapon system availability
- Adequate decision support tools
- Improved combat support and in theatre distribution

Service/Agency Initiatives
- Incremental improvement
- Constrained by system/ structural challenges
- No DoD-wide vision

Categories of Fixes
- Enterprise System Solutions
- Time Definite Delivery
- Integrated Distribution

Focus Areas

Weapon System Support

Customer Service

Enterprise Integration

Future Logistics Enterprise

- **Six initiatives align with all USD(AT&L) goals:**

  - <u>Weapon System Support:</u>
    - Depot Partnering
    - Condition Based Maintenance
    - Total Life Cycle Systems Management

  - <u>End-to-End Customer Service</u>
    - Executive Agents
    - End - to - End Distribution

  - <u>Enterprise Integration</u> -- The enabler of the other 5 initiatives with a modern integrated information approach supporting the entire community

- **Overall Goal: To operate end - to - end logistics business as a single enterprise…DoD Log, Inc.**

Depot Maintenance Partnerships

- **Agreements between DoD maintenance depots and private industry to jointly perform work or utilize facilities and equipment**

- **Leverage the strengths of both sectors**

- **Desired end state: Dramatic increase in depot maintenance public-private partnerships resulting in . . .**

  - Increased private sector investment in facilities and equipment

  - Increased facility utilization

  - Workforce integration

  - Reduced cost of ownership

  - Improved business processes

  - Improved customer support
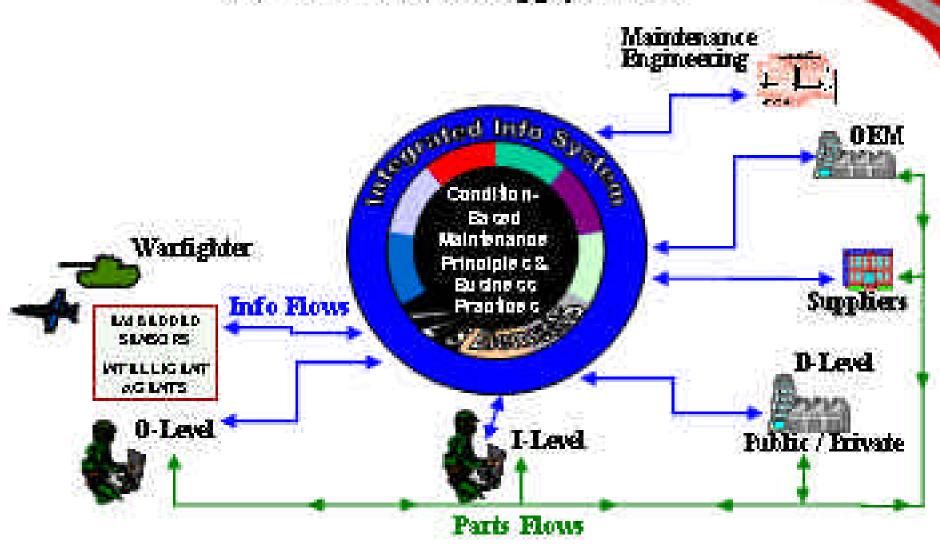
The Way Ahead

- **Develop, coordinate and issue policy memorandum – completed 1/30/02**

- **Develop and submit legislative proposals – completed 2/20/02**

- **Communications strategy for stakeholders – due 4/1/02**
  - Draft strategy developed
  - Several prototype deliverables under review by IPT
  - Industry Round Table

- **Service implementation plans – due 5/1/02**

- **Develop and apply metrics – due 5/31/02**
  - Depot workshop and IPT working sessions conducted
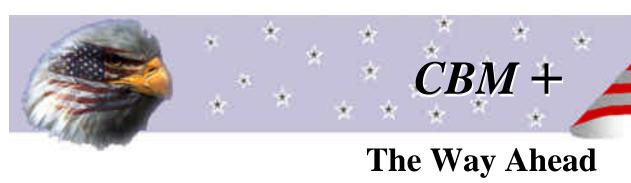
Conditioned Based Maintenance +

- **Condition Based Maintenance + is focused on:**
  - Improving warfighter readiness through weapon system availability
  - Reducing the total cost of weapon system support
  - Supporting Focused Logistics (JV2020)

- **Technology to improve maintenance decisions and integrate logistics processes**
  - Condition Based Maintenance
  - Integration of maintenance and other logistics information systems
  - Improved maintenance for new and legacy systems

Condition Based Maintenance +

Maintenance and Supply Chains

Maintenance Engineering

OEM

Integrated Info System

Condition-Based Maintenance Principles & Business Practices

Warfighter

EMBEDDED SENSORS

INTELLIGENT AGENTS

Info Flows

Suppliers

D-Level

0-Level

I-Level

Public / Private

Parts Flows

CBM +

The Way Ahead

- **Draft Policy**
  - Draft policy by mid-Mar 02
  - Developed outline

- **DPG language**
  - Submitted proposed language on 14 Feb 02
  - "... Military Services shall develop and submit as part of the PPBS process, a strategic plan for the integration of CBM+ into their current business processes and future weapon system acquisition programs…"

- **Metrics**
  - Developing plan to measure implementation process and results, ECD 15 Mar
  - Services are identifying parameters

- **Cost-Benefit Analysis**
  - LMI surveying RTOC and other programs for CBM+ related trends
  - Will develop CBA approach by 15 Mar
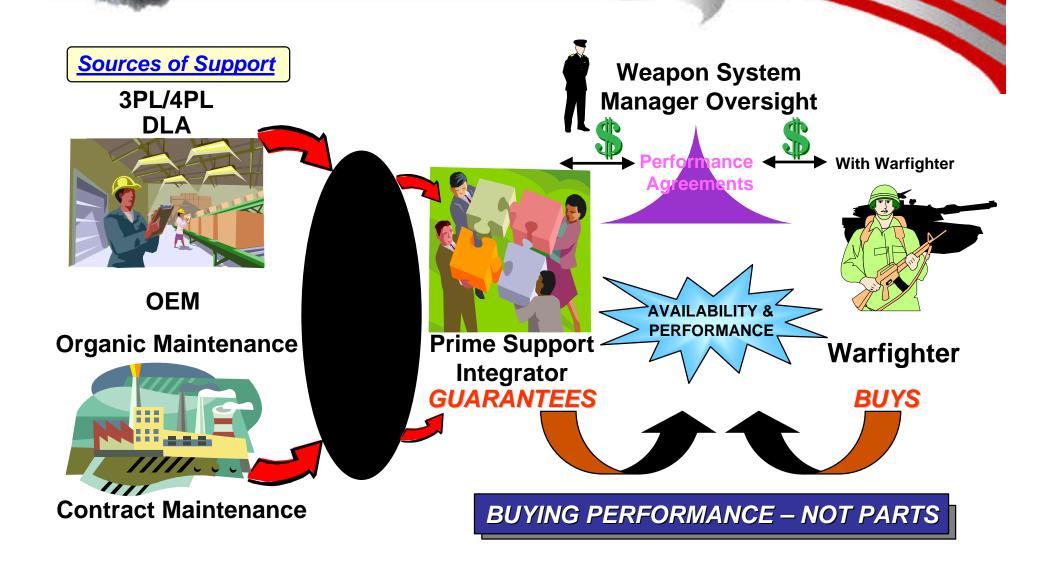
- **Predictive Tools Study**
  - Potential study through Mx Technology Senior Steering Group
  - Evaluate current capabilities, shortfalls and advances to guide labs

Total Life Cycle Systems Management

- **Weapon System Manager responsible for life cycle management**

- **Performance agreements based on warfighter requirements**

- **WSM integrates logistics chains**

- **Build from experience with new systems**

- **Requires dramatic revisions in WSM training, tenure, and oversight**

Total Life Cycle Systems Management

Sources of Support

3PL/4PL DLA

OEM

Organic Maintenance

Contract Maintenance

Weapon System Manager Oversight

$ **Performance Agreements** $ **With Warfighter**

Prime Support Integrator GUARANTEES

AVAILABILITY & PERFORMANCE

Warfighter

BUYS

BUYING PERFORMANCE – NOT PARTS

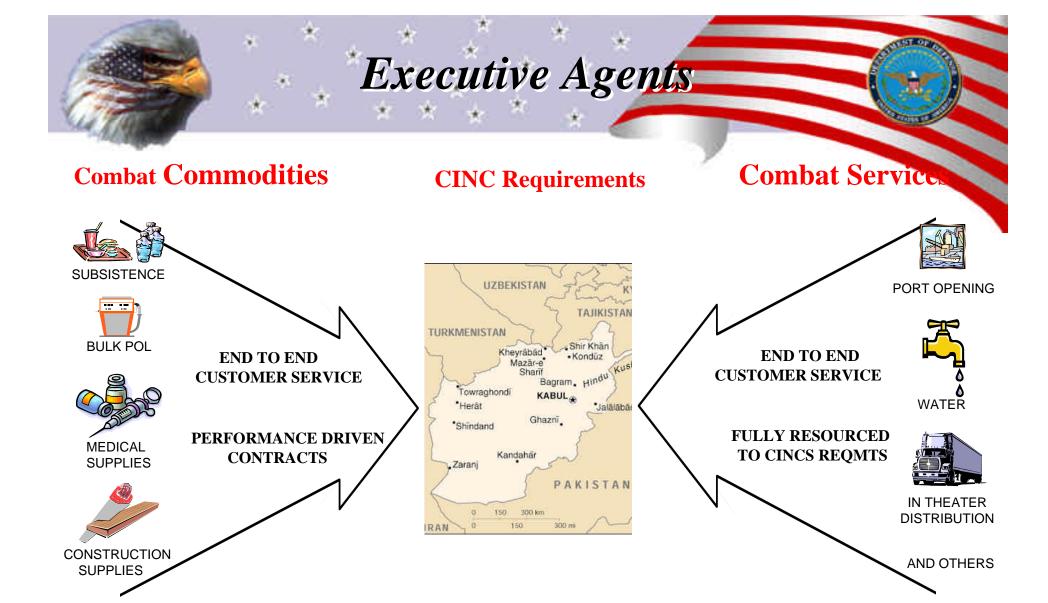# TLCSM – Way Ahead

The Way Ahead

- Increase emphasis on supportability requirements in ORDs (April 02)

- Develop Service implementation schedules (May 02)

- Revise 5000.1/5000.2 acquisition regulation (June 02)

- Update DAU curriculum (FY02, 03)

- Define PBL enabling financial mechanisms (June 02)

Executive Agents

Combat Commodities   **CINC Requirements**   **Combat Services**

SUBSISTENCE

BULK POL

MEDICAL
SUPPLIES

CONSTRUCTION
SUPPLIES

**END TO END
CUSTOMER SERVICE**

**PERFORMANCE DRIVEN
CONTRACTS**

PORT OPENING

WATER

IN THEATER
DISTRIBUTION

AND OTHERS

**END TO END
CUSTOMER SERVICE**

**FULLY RESOURCED
TO CINCS REQMTS**

**COMMODITIES AND SERVICES RESOURCED AND DELIVERED
TO CINC REQUIREMENTS**

Executive Agents
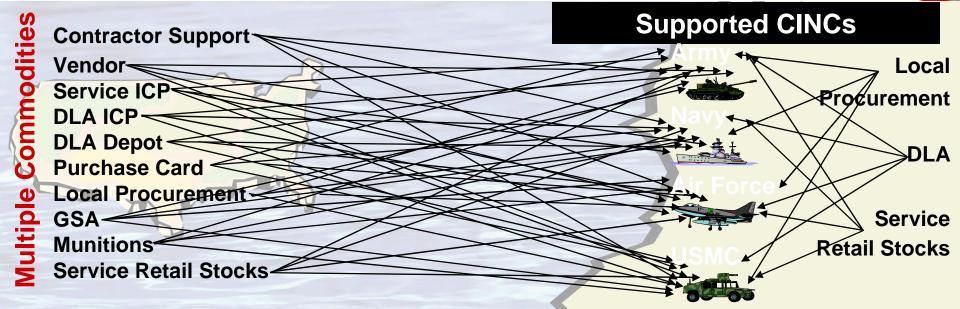
The Way Ahead

- **DLA preparing draft EA Directives assigning EA responsibilities for Bulk Petroleum and Subsistence**
  - Due May '02
  - clear roles, responsibilities, and authorities for end-to-end customer service

- **DLA developing plan for medical materials and construction material**
  - Due March '02

- **Initial assessment of other EAs ongoing**
  - Area Decon; Water Production; In-Theater Distribution; Port Opening; Containerization
  - Due June '02

End to End Distribution: Current Processes

US Sources of Supply

Overseas Sources of Supply

Multiple Commodities

- Contractor Support
- Vendor
- Service ICP
- DLA ICP
- DLA Depot
- Purchase Card
- Local Procurement
- GSA
- Munitions
- Service Retail Stocks

Supported CINCs

- Army
- Navy
- Air Force
- USMC

- Local Procurement
- DLA
- Service Retail Stocks

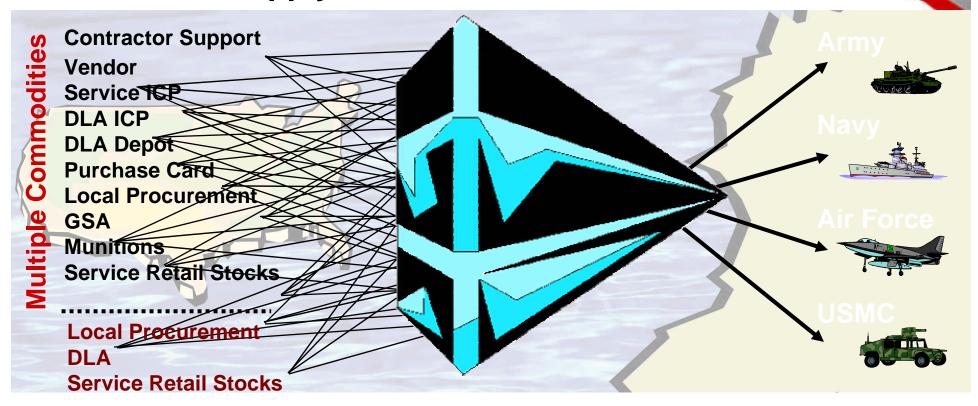➢ Deployment & Sustainment compete for same transport assets
➢ TRANSCOM provides strategic organic and commercial transportation services
➢ Supported CINCs provide tactical intra-theater organic and commercial transportation
➢ Vendors may use own transportation contracts

No one responsible for managing/synchronizing multiple supply chains flowing into theater…….Deployed warfighter forced to manage

Sources of Supply

Multiple Commodities

Contractor Support
Vendor
Service ICP
DLA ICP
DLA Depot
Purchase Card
Local Procurement
GSA
Munitions
Service Retail Stocks

Local Procurement
DLA
Service Retail Stocks

Army

Navy

Air Force

USMC
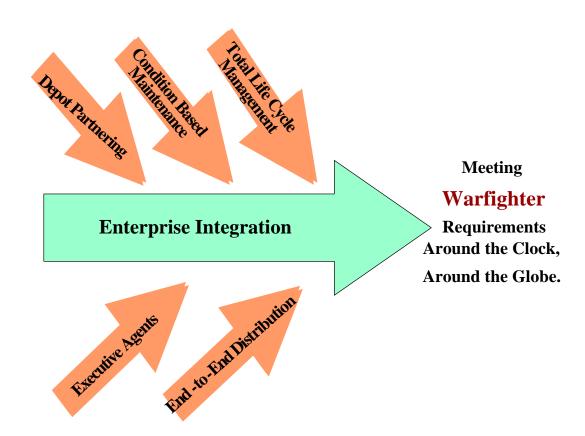
Enterprise Integration is the Enabler

Enterprise Integration

- **Enterprise Integration: Enables the Future Logistics Enterprise**
  - By: linking people, processes and information to achieve business objectives (i.e., the warfighting capability)

- **But it is NOT:**
  - One Big System
  - Just ERP
  - One Size Fits All

Depot Partnering

Condition Based Maintenance

Total Life Cycle Management

Enterprise Integration

Executive Agents

End-to-End Distribution

Meeting

Warfighter

Requirements Around the Clock, Around the Globe.

Enterprise Integration

The Way Ahead

- **AT&L**
  - Accelerate change
  - Define the business
  - Force Integration

- **CIO**
  - Enterprise Portfolio Management -- Leverage over arching customer community -- By April 02
  - Develop an Infrastructure Strategy - By June 02

- **Comptroller**
  - Financial Management Modernization Organization partnering with Logistics community progress
  - Funding Sharing Possibilities

FLE Implementation

Policy Development
(6 Months; Began Sept 01)

DLEB (semi-monthly meetings)

- Baseline policy

- Required policy changes

- Required legislative changes

- Required coordination

  - Comptroller
  - PA&E
  - Acquisition
  - ARA

JLB
(monthly decision meetings)

Execution
(3 Year)

- L&MR - coordinated EI direction

- Customer Service Agreements between customers and service providing activities

  - DLA
  - TRANSCOM
  - Service ICPs
  - Maintenance Depots
  - Executive Agents
  - Total Life Cycle Systems Managers

- Savings Commitments

- Semi-Annual Review/Success

- Annual Reports (include savings)

JLB/DLEB
(quarterly decision/update meetings)

Status: We are "well down the road!"

✓ **Collaborative Oversight through the Joint Logistics Board (JLB)/Defense Logistics Executive Board (DLEB)**

  ✓ Five Successful JLBs

  ✓ Made Policy/Directive Decisions on Depot Partnering/ Condition Based Maintenance, agreed to way ahead on EI , TLCSM and Executive Agents

  Addressing end - to - end distribution during sixth JLB.

✓ **Logistics EI Architecture developed**

✓ **Six active Service/Agency Funded EI initiatives under way**

  ✓ Delivering needed capability

  ✓ 100K+ users impacted

  ✓ Replace/Update ~ 50 legacy systems/70M lines of code

✓ **Entire Logistics Leadership committed to resolving issues**
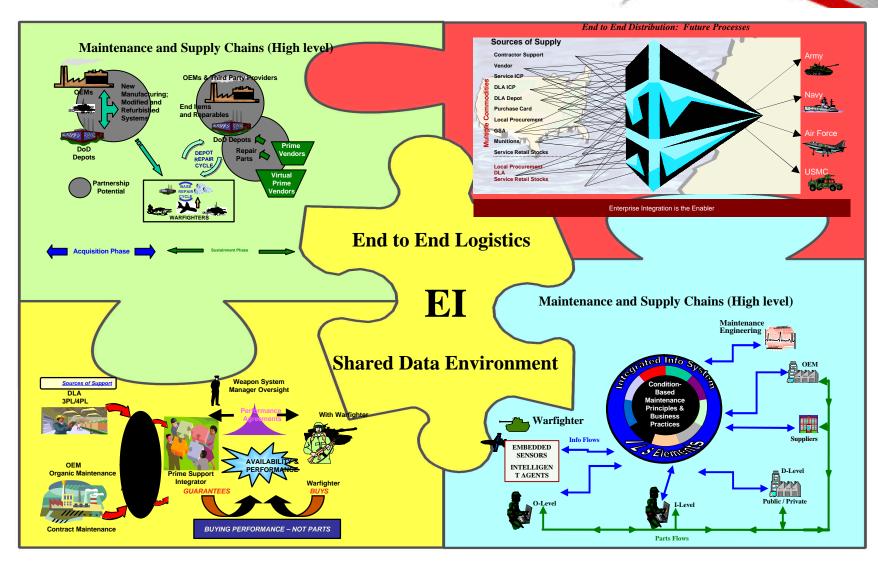
But, There are Risks to our Success

- **Size - largest enterprise in the world**

- **Complexity**

- **Culture**

DoD Supply Chains

Maintenance and Supply Chains (High level)

OEMs

New Manufacturing; Modified and Refurbished Systems

DoD Depots

Partnership Potential

OEMs & Third Party Providers

End Items and Reparables

DoD Depots

Repair Parts

DEPOT REPAIR CYCLE

Prime Vendors

Virtual Prime Vendors

BASE REPAIR CYCLE

WARFIGHTERS

Acquisition Phase   Sustainment Phase

End to End Distribution: Future Processes

Sources of Supply

Contractor Support
Vendor
Service ICP
DLA ICP
DLA Depot
Purchase Card
Local Procurement
GSA
Munitions
Service Retail Stocks

Local Procurement
DLA
Service Retail Stocks

Multiple Commodities

Army
Navy
Air Force
USMC

Enterprise Integration is the Enabler

End to End Logistics

EI

Shared Data Environment

Sources of Support
DLA
3PL/4PL

OEM
Organic Maintenance

Contract Maintenance

Prime Support Integrator
GUARANTEES

Weapon System Manager Oversight

Performance Agreements

AVAILABILITY & PERFORMANCE

With Warfighter

Warfighter *BUYS*

BUYING PERFORMANCE – NOT PARTS

Maintenance and Supply Chains (High level)

Maintenance Engineering

Integrated Info System

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ILS Elements

OEM

Suppliers

D-Level

Public / Private

Warfighter

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Info Flows

O-Level

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Parts Flows

FUTURE LOGISTICS ENTERPRISE